



U.S.-Korea Trade Agreement What's At Stake for Rice?

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The U.S.-Korea Trade Agreement (KORUS agreement) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's \$1 trillion economy and 49 million consumers. Under the agreement, nearly two-thirds of current U.S. agricultural exports will become duty free immediately and lower tariffs will benefit both U.S. suppliers and Korean consumers.

The KORUS agreement will help the United States compete against Korea's other major agriculture suppliers and keep the United States on a level playing field with Korea's current and future free trade partners. Korea finalized its trade agreement with the European Union (EU) in October 2009 and presently has trade agreements in place with Chile, India, and the 10-country ASEAN group. In addition, the country is negotiating new trade agreements with Canada, Australia, New Zealand, and China. Most of these countries are U.S. competitors.

If the United States fails to implement the KORUS agreement, it will likely see its share of Korea's total agricultural imports, which stood at nearly 30 percent in 2009, steadily erode.

With the Agreement...

While there is no additional market access for rice in the KORUS agreement, rice exporters currently benefit from the rice agreement that the United States negotiated with Korea in 2004 under the World Trade Organization (WTO) Minimum Market Access (MMA) Agreement. Under this agreement, U.S. exporters enjoy guaranteed market access for 50,076 tons of rice annually under a country-specific quota in Korea's tariff schedule. U.S. exporters are also able to compete for additional quantities under the global portion of Korea's rice quota. Under the 2008 MMA, Korea purchased 72,000 tons, the highest level of U.S. rice imports since Korea assumed its WTO MMA obligations. The 2004 agreement requires that Korea distribute some U.S. rice to consumers instead of selling it all for industrial use.

The 2004 rice agreement expires in 2014, at which time the United States will negotiate for additional access for rice. The United States continues to push for greater access to Korea's rice market in the WTO Doha negotiations.

The Trade Situation...

From 2007 to 2009, U.S. suppliers shipped on average 74,281 metric tons of rice (milled) valued at \$53 million. The current U.S. share of the Korean import market is 31 percent. The United States faces competition from China and Thailand for rice purchases under the global quota.

The Current Market Access Situation...

U.S. rice faces a country-specific quota of 50,076 tons with an applied tariff of 5 percent. The U.S.-specific share falls within an absolute quota of 306,964 tons in 2009 that will grow incrementally to 407,800 tons in 2014. The WTO bound tariff rate is the same as the applied rate.

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